



KOUKAMMA MUNICIPALITY

AFS 2009 - 2010

SIGNED : S. NKUHLU
MUNICIPAL MANAGER / ACCOUNTING OFFICER
DATE : 16 November 2010

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KOU-KAMMA MUNICIPALITY
Parameters to be completed for Current Year

Name of Authority	KOU-KAMMA MUNICIPALITY
Financial Year-end	30 JUNE 2010
End of Next Year	30 June 2011
End of Current Year	30 June 2010
End of Previous Year	30 June 2009
End of Base Year	30 June 2008
Current Year	2010
Previous Year	2009
Base Year	2008
Next Financial Year	2010/2011
Current Financial Year	2009/2010
Previous Financial Year	2008/2009
Comparative Financial Year	2009/10 / 2008/09
Start of Current Year	01 July 2009
Start of Previous Year	01 July 2008

MEDIUM CAPACITY MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 4 and 5 issued by the ASB.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2009 and 30 June 2010 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) Is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: *Revenue*, as far as *Revenue from Non-Exchange Transactions* is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 4 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

1. 2. 5 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 12 and 49 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5 paragraph 29 allows for the Municipality to select and apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not yet adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not yet been adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. STATUTORY FUNDS AND RESERVES

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it was located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost).

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Buildings	30 -
Roads and Paving	10 - 100		
Electricity	45 - 50	Other	
Water	15 - 100	Specialist Vehicles	10 - 15
Sewerage	15 - 100	Other Vehicles	5 - 15
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	5 - 15
Community		Watercraft	15 - 20
Recreational Facilities	15 - 60	Bins and Containers	5 - 15
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 15

These were not reviewed in the previous and current financial years as required by GRAP 17. The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the year ending 30 June 2010 but must comply with the measurement requirements for the year ending 30 June 2012. It must however identify and correctly classify all PPE on an assets register during the 2010.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 7 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 9 Impairment of assets

3. 9. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

For the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GRAP 17. The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2010 but must comply with the measurement requirements for the year ending 30 June 2012. It must however identify and correctly classify all PPE on an assets register during the 2010.

3. 9. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

3. 9. 2 Impairment of Non-Cash generating assets (continued)

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

For the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GRAP 17. The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2010 but must comply with the measurement requirements for the year ending 30 June 2012. It must however identify and correctly classify all PPE on an assets register during the 2010.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

4. INTANGIBLE ASSETS (continued)

4. 1 Initial Recognition (continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial

The estimated useful lives and the amortisation methods were not reviewed in the current financial year as required by GRAP 102. The municipality also did not perform impairment testing on its intangible assets during the year under review. The estimated useful lives and amortisation methods will be reviewed and impairment testing will be done for the year ended 30 June 2012 (and retrospectively where practicable), and any changes therein will be implemented in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

5. INVESTMENT PROPERTY (continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Transitional Provisions

In terms of ASB Directive 4, the municipality is not required to measure investment properties for reporting periods beginning on or after a date within 3 years following the date of initial adoption of GRAP 16. The municipality elects to apply ASB Directive 4 for its investment properties and does not measure its investment properties for the above-mentioned period. However, provisional amounts for investment properties are disclosed in the Annual Financial Statements in accordance with ASB Directive 4.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

FINANCIAL INSTRUMENTS (continued)

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Loans and receivables
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity Investments

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6. FINANCIAL INSTRUMENTS (continued)

6. 1 Financial Assets - Classification (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: available for sale.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 9)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

6. 3. 1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cashflow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 47.7 to the annual financial statements.

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

Water Inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the (FIFO / weighted average) method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Transitional provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2010 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 4.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

10. REVENUE RECOGNITION

10. 1 General

Revenue, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and if payment is made five days before year end it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10. REVENUE RECOGNITION (continued)

10. 2. 4 *Tariff Charges*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 *Income from Agency Services*

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 *Sale of Goods (Including Houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 2. 7 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 2. 8 *Royalties*

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

10. 3 Revenue from Non-exchange Transactions

10. 3. 1 *Rates and Taxes*

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 *Fines*

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10. 3. 3 *Public contributions*

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10. 3. 4 *Other Donations and Contributions*

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10. 3. 5 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

10. 4 Transitional Provisions

Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 and SAICA circular 09/2006.

11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and;

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12. PROVISIONS (continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Transitional Provisions

In terms of ASB Directive 4, the municipality is not required to measure provisions for reporting periods beginning on or after a date within 3 years following the date of initial adoption of GRAP 19. The municipality elects to apply ASB Directive 4 for its provisions for the above-mentioned period.

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed bi-annually.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

KOU-KAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

13. EMPLOYEE BENEFITS (continued)

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14. LEASES (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

14. 1 The Municipality as Lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25.2 Budget

Budget figures for the prior year have also been included in the Statement of Financial Position.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

KOU-KAMMA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

27. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality

28. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It is with great pleasure for me to finally present the Annual Financial Statements for the year 2009/2010 to Council and Management in terms of the Section 126 of the MFMA.

The assistance of a service provider was once again necessary for the compilation of the statements due to a lot of accounting workload carried over from the previous years and having to address the audit report, which was a disclaimer.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008, and also in terms of the standards and principles contained in Directives 4 and 5 issued by the ASB in March 2009.

The process of compiling a GRAP-compliant asset register was proceeded the year under review.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2010	2009
Surplus / (Deficit) before Appropriations	116,021,261	(15,375,029)
Surplus / (Deficit) at the end of the Year	180,253,657	64,232,395
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.83%	28.67%
Remuneration of Councillors	2.38%	2.63%
Collection Costs	0.11%	0.44%
Impairment Losses	26.54%	28.81%
Repairs and Maintenance	0.19%	1.63%
Interest Paid	0.11%	0.05%
Bulk Purchases	2.10%	2.55%
Contracted Services	3.54%	6.86%
Grants and Subsidies Paid	22.81%	11.00%
General Expenses	12.39%	16.74%
Current Ratio:		
Creditors Days	513	398
Debtors Days	865	825

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2010 are as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	4,790,615	11,906,746	(59.77)%	-	-
Operating income for the year	188,320,973	61,563,946	205.89%	236,840,512	(20.49)%
Appropriations for the year	-	(13,536,471)	(100.00)%	-	-
GRAP 17 adjustments	-	-	-	-	-
	193,111,586	59,934,221	222.21%	236,840,512	(18.46)%
Expenditure:					
Operating expenditure for the year	72,299,712	76,938,976	(6.03)%	236,385,894	(69.41)%
Sundry transfers	-	(21,795,369)	(100.00)%	-	-
Closing surplus / (deficit)	120,811,876	4,790,615	2421.84%	454,618	-
	193,111,586	59,934,221	222.21%	236,840,512	(18.46)%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	160,991,582	31,262,601	414.97%	31,954,919	403.81%
Expenditure	55,057,654	44,963,167	22.45%	30,039,775	83.28%
Surplus / (Deficit)	105,933,928	(13,700,565)	(873.21)%	1,915,144	-
Surplus / (Deficit) as % of total income	65.80%	(43.82)%		5.99%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	121,442	187,832	(35.35)%	187,832	(35.35)%
Expenditure	233,274	302,021	(22.76)%	189,236	23.27%
Surplus / (Deficit)	(111,832)	(114,188)	(2.06)%	(1,404)	-
Surplus / (Deficit) as % of total income	(92.09)%	(60.79)%		(0.75)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

	Actual	Actual	Percentage	Budgeted	Variance actual/
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DETAILS	2009/2010 R	2008/2009 R	Variance %	2009/2010 R	budgeted %
Income	11,454,135	17,848,069	(35.82)%	11,460,894	(0.06)%
Expenditure	5,384,785	9,749,246	(44.77)%	11,806,609	(54.39)%
Surplus / (Deficit)	6,069,350	8,098,822	(25.06)%	(345,715)	-
Surplus / (Deficit) as % of total income	52.99%	45.38%		(3.02)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R1 364 574 (2008/2009: R1 912 393). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	2,560,627	1,130,714	126.46%	3,283,507	(22.02)%
Expenditure	3,446,592	2,368,218	45.54%	5,045,734	(31.69)%
Surplus / (Deficit)	(885,965)	(1,237,505)	(28.41)%	(1,762,227)	-
Surplus / (Deficit) as % of total income	(34.60)%	(109.44)%		(53.67)%	

3.5 Water Services:

Water is generated and distributed to the consumers by the municipality. Additional water, when in short supply, is bought in from Louterwater Engineering Services. The cost of additional purchases by the municipality was R152 689 (2008/2009: R48 953). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	13,678,010	11,146,649	22.71%	5,542,212	146.80%
Expenditure	8,662,230	5,057,115	71.29%	5,348,010	61.97%
Surplus / (Deficit)	5,015,780	6,089,534	(17.63)%	194,202	-
Surplus / (Deficit) as % of total income	36.67% (0)	54.63% (14,511,128)		3.50% 454,618	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R114 091 227 (2008/2009: R21 723 694). Full details of Property, Plant and Equipment are disclosed in Note 7 and appendices "B, C and E (2)" to the Annual Financial Statements. A correction was made for the previous year during the current year for items of Property, Plant and Equipment. Items purchased of R8 001 655.37 but not yet paid for were not provided for in 2009. This error was corrected.

The capital expenditure of R114 376 463 was financed as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Grants and Subsidies	114,091,227	21,723,694	425.19%		#DIV/0!
Public Contributions	-	-	-		#DIV/0!

	114,091,227	21,723,694	425.19%	-	#DIV/0!

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2010	2009
Capital Replacement Reserve	-	-
Grants and Subsidies	100.00%	100.00%
Public Contributions	-	-

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2010	2009
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	454,618	-
Revenue variances	(48,519,539)	9,134,582
Expenditure variances:		
Employee Related Costs	4,970,726	585,736
Remuneration of Councilors	621,775	(60,316)
Collection Costs	(78,150)	(251,869)
Depreciation and Amortisation	-	2,716,910
Impairment Losses	(19,189,079)	(21,211,827)
Repairs and Maintenance	2,200,314	1,791,145
Interest Paid	(79,097)	(37,853)
Bulk Purchases	(581,296)	422,982
Contracted Services	(652,848)	(2,267,838)
Grants and Subsidies Paid	179,388,064	(7,653,267)
General Expenses	(2,514,228)	1,944,964
Loss on disposal of Property, Plant and Equipment	-	(488,378)
Actual surplus before appropriations	116,021,261	(15,375,029)

DETAILS	2010	2009
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	454,618	-
Executive and Council	(7,127,295)	(14,547,746)
Finance and Administration	105,245,112	(8,521,038)
Planning and Development	1,374,502	6,426,299

Health	351	174,443
Community and Social Services	1,440,365	1,617,666
Housing	(110,428)	(112,784)
Public Safety	(1,674,282)	(4,495,552)
Sport and Recreation	76,607	46,675
Waste Management	6,415,065	8,444,537
Roads and Transport	4,663,423	3,481,545
Water	4,821,578	5,895,332
Electricity	876,262	524,723
Actual surplus before appropriations	116,475,879	(863,902)
	454,618	14,511,128

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Variance actual 2009/10 / 2008/09 R	Budgeted 2009/2010 R	Variance actual/ budgeted R
Executive and Council	-	-	-	232,000	(232,000)
Finance and Administration	365,449	503,154	(137,704)	1,000,000	(634,551)
Planning and Development	8,213	690,916	(682,703)	-	8,213
Health	-	2,217	(2,217)	-	-
Community and Social Services	94,607	-	94,607	92,000	2,607
Housing	-	-	-	28,905,806	(28,905,806)
Public Safety	39,213	14,923	24,290	-	39,213
Sport and Recreation	-	40,855	(40,855)	-	-
Environmental Protection	-	-	-	-	-
Waste Management	-	4,260,368	(4,260,368)	70,000	(70,000)
Roads and Transport	896	12,807,531	(12,806,635)	18,494,165	(18,493,269)
Water	94,815,165	2,241,181	92,573,984	126,963,946	(32,148,781)
Electricity	14,937,031	1,162,549	13,774,482	7,427,474	7,509,557
Other	3,830,653	-	3,830,653	5,481,898	(1,651,245)
	114,091,227	21,723,694	92,367,533	188,667,289	(74,576,062)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2010 amounted to R180 253 657 (30 June 2009: R64 232 395) and is made up as follows:

Total accumulated surplus	180,253,657
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The municipality will only be able to finance its annual infrastructure capital programme if it obtains external funding (government grants).

Refer to Note 2 and the Statement of Changes in Net Assets for more detail.

7. CURRENT LIABILITIES

Current Liabilities amounted R48 379 813 as at 30 June 2010 (30 June 2009: R54 051 202) and is made up as follows:

Consumer Deposits	Note 11	104,700
Provisions	Note 12	91,670
Creditors	Note 13	20,993,339
Unspent Conditional Grants and Receipts	Note 14	26,674,226
VAT	Note 15	515,879
		<u>48,379,813</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). It is not certain that the municipality will be able to meet its obligations because of serious cash flow constraints.

Refer to the indicated Notes for more detail.

8. SHORT-TERM LOANS

The Short-term Loan was repaid during the year (30 June 2009: R2 000 000).

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R217 364 054 as at 30 June 2010 (30 June 2009: R103 272 827).

Refer to Note 10 and Appendices "B, C and E (2)" for more detail.

9. INTANGIBLE ASSETS

The net value of Intangible Assets were R883 539 as at 30 June 2010 (30 June 2009: R350 968).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

10. INVESTMENT PROPERTIES

The net value of Investment Properties were R289 543 as at 30 June 2010 (30 June 2009: R289 543).

These are assets that is rented out by the municipality to external parties at market related rental under operating lease agreements.

Refer to Note 9 and Appendix "B" for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables of R13 408 at 30 June 2010 (30 June 2009: R13 408) is made up as follows:

Staff Loans	13,408
	<u>13,408</u>
Less: Short-term portion Included in Current Assets	<u>13,408</u>
	<u>-</u>

Refer to Note 10 for more detail.

12. CURRENT ASSETS

Current Assets amounted R11 235 816 as at 30 June 2010 (30 June 2009: R15 307 458) and is made up as follows:

Trade receivables from Exchange Transactions	Note 3	1,375,953
Trade receivables from Non - Exchange Transactions	Note 4	2,147,890
Bank, Cash and Cash Equivalents	Note 5	7,698,564
Current Portion of Long-term Debtors	Note 12	13,408
		<u>11,235,816</u>

Refer to the indicated Notes for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 14 and 25, and Appendix "F" for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 54.

15. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

The unbundling process was carried out as at 30 June 2007 in order to be able to have comparative figures available for the Annual Financial Statements presented in the new format. Consultants have been appointed to assist in the process.

16. GOING CONCERN

The municipality is not able to execute its normal business activities and mandate from own generated funding. However, various processes have been introduced to assist the municipality, e.g. aid from National, Provincial and Local Government and the DBSA, either financially or in the form of consultants assisting in the normal day-to-day functions of the municipality. Refer to note 50.

Therefore the Annual Financial Statements have been prepared on a "going concern basis".

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Councillors, the Municipal Manager and Senior Officials for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2010

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Note	2010 R	2009 R
ASSETS			
Current Assets		11,235,816	15,307,458
Inventory	2	0	0
Trade Receivables	3	1,375,953	2,277,678
Trade Payables	4	2,147,890	3,265,788
Cash and Cash Equivalents	5	7,698,564	9,750,565
Operating Lease Assets	6	0	0
Current Portion of Long-term Receivables	12	13,408	13,408
Non-Current Assets		218,537,136	103,913,328
Property, Plant and Equipment	7	217,364,054	103,272,827
Intangible Assets	8	883,539	350,968
Investment Property	9	289,543	289,543
Long-term Receivables	10	0	0
Total assets		229,772,951	119,220,797
LIABILITIES			
Current Liabilities		48,379,813	54,051,202
Consumer Deposits	11	104,700	104,700
Provisions	12	91,670	150,108
Creditors	13	20,993,339	32,321,196
Unspent Conditional Grants and Receipts	14	26,674,226	17,258,267
VAT Payable	15	515,879	2,216,931
Short-term Loans	16	0	2,000,000
Operating Lease Liabilities/ Payables	17	0	0
Bank Overdraft	5	0	0
Non-Current Liabilities		1,139,482	937,199
Retirement Benefit Liabilities	18	561,531	545,668
Non-current Provisions	19	577,951	391,531
Total liabilities		49,519,295	54,988,401
TOTAL ASSETS AND LIABILITIES		180,253,656	64,232,396
NET ASSETS		180,253,656	64,232,396
Accumulated Surplus / (Deficit)	20	180,253,656	64,232,396
Total Net Assets		180,253,656	64,232,396

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 20

Budget				Actual	
2009	2010	Note	2010	2009	
R	R		R	R	
REVENUE					
7,536,078	1,096,467	Property Rates 21	6,575,364	4,963,051	
11,180,508	5,950,107	Service Charges 22	14,505,861	13,645,348	
157,433	186,674	Rental of Facilities 23	203,507	261,821	
102,141	1,675,133	Interest Earned - Ex 24	3,986,604	1,545,830	
3,148,897	727,921	Fines	420,004	236,270	
		Licences and Permits		17,254	
4,186,156	1,144,866	Income for Agency Services	967,436	787,851	
25,720,238	225,097,083	Government Grants 25	159,895,647	36,648,618	
397,511	322,289	Other Income 26	1,350,091	217,656	
<u>52,429,364</u>	<u>236,840,512</u>	Total Revenue	<u>188,320,973</u>	<u>61,563,946</u>	
EXPENDITURE					
22,641,153	26,538,563	Employee Related 27	21,567,837	22,065,417	
1,960,440	2,342,000	Remuneration of Co 28	1,720,265	2,020,756	
84,000		Collection Costs	78,150	335,869	
2,716,910		Depreciation and Ar 29			
951,549		Impairment Losses 30	19,185,079	22,163,776	
3,045,528	2,337,892	Repairs and Maintenance	137,578	1,254,363	
		Finance Costs 31	79,097	37,853	
2,384,325	936,987	Bulk Purchases 32	1,597,263	1,561,346	
3,000,900	1,908,987	Contracted Services 33	2,556,846	5,277,738	
212,049	195,882,041	Grants and Subsidies 34	16,493,977	8,465,216	
14,823,104	6,445,274	General Expenses 35	8,955,602	12,876,140	
		Loss on disposal of Property		465,378	
<u>52,429,364</u>	<u>236,385,894</u>	Total Expenditure	<u>72,299,712</u>	<u>76,938,976</u>	
<u>-</u>	<u>454,618</u>	SURPLUS / (DEFICIT) FOR	<u>116,021,261</u>	<u>(15,375,029)</u>	

Refer to Appendix E(1) for explanation of budget variances

Refer to Appendix E(1) for explanation of budget variances

KOU-KAMMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

Description	ed Surplus / (Deficit)	Total for	
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R
2009			
Balance at 30 June 2008	(753,667)	57,812,056	57,812,056
Change in Accounting Policy (Note 35)		(1,071,912)	(1,071,912)
Correction of Error (Note 38)		22,867,281	22,867,281
Restated Balance	(753,667)	79,607,425	79,607,425
Surplus / (Deficit) for the year		(15,375,029)	(15,375,029)
Contribution to CRR			
Property, Plant and Equipment purchased			
Donations / Grants utilised to obtain PPE			
Interest received	2,526		
Asset disposals			
Offsetting of Depreciation			
Balance at 30 June 2009	(751,139)	64,232,395	64,232,395
	(798,994.00)		
2010			
Restated Balance	(1,550,133)	64,232,395	64,232,395
Surplus / (Deficit) for the year		116,021,261	116,021,261
Contribution to CRR	-	-	-
Property, Plant and Equipment purchased	-	-	-
Donations / Grants utilised to obtain PPE	-	-	-
Interest received	-	-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2010	(1,550,133)	180,253,656	180,253,656

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		180 567,475	47,009,940
Cash paid to Suppliers and Employees		(69 905,205)	(31,607,770)
Cash generated from / (utilised in) Operations	39.	110,662,270	15,402,170
Interest received	24.	3,988 604	1,545,836
Interest paid	31.	(79 007)	(37,653)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		114,571,777	16,910,153
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7.	(114 091,227)	(21,723,694)
Purchase of Intangible Assets	8.	(532 571)	-
Decrease / (Increase) in Long-term Receivables	10.		13,922
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(114,623,797)	(21,709,772)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) in Short-term Loans	16.	(2 000 000)	2,000,000
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(2,000,000)	2,000,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5.	(2,052,020)	(2,799,619)
Cash and Cash Equivalents at the beginning of the year		9 750 385	12 550,204
Cash and Cash Equivalents at the end of the year		7 698 564	9,750,585

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010 2009
R R

1. GENERAL INFORMATION

KOU-KAMMA Municipality (the municipality) is a local government institution in Kareedouw, Southwestern Eastern Cape, and is one of seven local municipalities under the jurisdiction of the Cacadu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

2. INVENTORY

Water - at cost

Total Inventory

--	--

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure the following inventories:

Unpurified Water;
Water in pipelines
Land held for sale

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for impairment	Net Balances
As at 30 June 2010			
Service Debtors:	47,712,629	46,436,466	1,276,163
Electricity	1,156,757	1,148,398	8,359
Refuse	8,261,778	8,034,781	226,998
Sewerage	17,052,425	16,681,262	371,164
Water	21,241,669	20,572,025	669,643
Housing	554,206	463,608	90,597
Loan instalments	899,437	898,420	18
Other Debtors	2,251,841	2,242,665	9,175
Total Consumer Debtors	51,418,113	50,042,160	1,375,953

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

As at 30 June 2009	Gross Balances	Provision for Impairment	Net Balances
Service Debtors:	35,836,406	33,751,577	2,084,829
Electricity	1,098,109	1,065,200	32,909
Refuse	6,440,677	6,011,262	429,416
Sewerage	13,147,926	12,478,850	669,077
Water	15,149,692	14,196,265	953,427
Housing	487,282	310,696	176,586
Loan Instalments	899,407	899,407	(0)
Other Debtors	2,232,095	2,215,831	16,264
Total Consumer Debtors	39,455,189	37,177,511	2,277,678

Consumer Debtors are billed monthly, latest end of month. No interest have been charged on outstanding trade receivables for the year under review. From 1 July 2010, interest will be charged on all outstanding trade receivables at a market related interest rate.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

	2010 R	2009 R
3.1 Ageing of Trade Receivables from Exchange Transactions		
Electricity: Ageing		
<u>Current:</u>		
0 - 30 days		
<u>Past Due:</u>	31,395	16,668
31 - 60 Days	-	6,268
61 - 90 Days	-	4,046
91 - 120 Days	5,610	4,202
+ 120 Days	1,119,753	1,066,927
Total	1,156,767	1,088,111
Refuse: Ageing		
<u>Current:</u>		
0 - 30 days		
<u>Past Due:</u>	351,632	377,042
31 - 60 Days	164,077	179,562
61 - 90 Days	163,339	170,542
91 - 120 Days	159,492	160,117
+ 120 Days	7,423,239	5,547,414
Total	8,261,778	6,440,677
Sewerage: Ageing		
<u>Current:</u>		
0 - 30 days		
<u>Past Due:</u>	738,871	639,949
31 - 60 Days	348,783	303,193
61 - 90 Days	339,380	297,316
91 - 120 Days	339,048	308,527
+ 120 Days	15,286,343	11,598,942
Total	17,052,425	13,147,926
Water: Ageing		
<u>Current:</u>		
0 - 30 days		
<u>Past Due:</u>	997,425	(74,613)
31 - 60 Days	273,462	360,208
61 - 90 Days	271,798	343,432
91 - 120 Days	387,709	421,216
+ 120 Days	19,311,274	14,099,449
Total	21,241,668	15,149,692

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Housing: Ageing		
<u>Current:</u>		
0 - 30 days	11,985	(16,404)
<u>Past Due:</u>		
31 - 60 Days	1,305	12,470
61 - 90 Days	1,305	12,360
91 - 120 Days	1,268	12,177
+ 120 Days	538,343	466,879
Total	<u>554,206</u>	<u>487,282</u>
Loan Instalments: Ageing		
<u>Current:</u>		
0 - 30 days	-	(15)
<u>Past Due:</u>		
31 - 60 Days	-	2
61 - 90 Days	-	2
91 - 120 Days	-	2
+ 120 Days	899,437	899,415
Total	<u>899,437</u>	<u>899,407</u>
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	5,026	(12,359)
<u>Past Due:</u>		
31 - 60 Days	2,043	760
61 - 90 Days	1,608	760
91 - 120 Days	1,608	760
+ 120 Days	2,241,556	2,242,175
Total	<u>2,251,841</u>	<u>2,232,095</u>

As at 30 June 2010 Consumer Debtors of R31 224 646 (2009: R15 898 008) were past due but not impaired. The age analysis of these Consumer Debtors are as follows:

31 - 60 Days	384,114	314,366
61 - 90 Days	399,179	303,757
91 - 120 Days	410,515	330,505
+ 120 Days	19,032,344	15,307,659
Total	<u>20,226,152</u>	<u>16,256,286</u>

3.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	37,177,512	21,744,460
Impairment Losses recognised	12,864,648	15,433,052
Balance at end of year	<u>50,042,160</u>	<u>37,177,512</u>

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per debtor. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

3.3 Ageing of Impaired Consumer Debtors

<u>Current:</u>		
0 - 30 days	2,422,243	791,215
<u>Past Due:</u>		
31 - 60 Days	904,347	703,641
61 - 90 Days	939,816	679,896
91 - 120 Days	966,505	739,765
+ 120 Days	44,809,248	34,262,995
Total	<u>50,042,160</u>	<u>37,177,512</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Assessment Rates debtors	19,879,026	14,332,097
Insurance Claims	114,190	114,190
Bonding Debtors	1,164,079	1,504,474
	<u>21,157,295</u>	<u>15,950,762</u>
Less: Provision for Impairment	(19,009,405)	(12,684,974)
Total trade receivables from non-exchange transactions	<u>2,147,890</u>	<u>3,265,788</u>

The Insurance Claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Also included in Trade receivables from non-exchange transaction is an amount of R85,000 (2009: R1 152 981) in respect of the probable income from traffic fines issued as at 30 June

4.1 Reconciliation of Provision for Impairment

Balance at beginning of year	12,664,974	5,954,250
Impairment losses recognised	6,324,432	6,730,724
	<u>19,009,406</u>	<u>12,684,974</u>

4.2 Ageing of Trade Receivables from Non-Exchange Transactions

Rates: Ageing

Current

0 - 30 days

1,314,735 214,437

Past Due

31 - 60 Days

496,792 155,544

61 - 90 Days

561,565 155,195

91 - 120 Days

482,286 157,269

+ 120 Days

17,021,649 13,649,652

Total

19,879,026 **14,332,097**

5. CASH AND CASH EQUIVALENTS

Bank, Cash and Cash Equivalents	7,698,564	9,750,585
Total Bank, Cash and Cash Equivalents	<u>7,698,564</u>	<u>9,750,585</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash

5.1 Current Investment Deposits

Call Deposits	680,261	141,801
Total Current Investment Deposits	<u>680,261</u>	<u>141,801</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates

Deposits of R5 209 511 (2009: R53 945) are attributable to Unspent Conditional Grants

Deposits of R47 856 (2009: R47 856) are attributable to the Capital Replacement Reserve

5.2 Bank Accounts

Cash in Bank	7,017,993	9,608,474
Total Bank Accounts	<u>7,017,993</u>	<u>9,608,474</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank - Joubertina Branch - Account Number 40 5280 5864:</i>		
Cash book balance at beginning of year	8,693,483	34,678
Cash book balance at end of year	<u>550,059</u>	<u>8,693,483</u>
Bank statement balance at beginning of year	8,434,598	242,434
Bank statement balance at end of year	<u>411,374</u>	<u>8,434,598</u>
Mountainview Housing Account		
<i>ABSA Bank - Joubertina Branch - Account Number 90 9125 7522:</i>		
Cash book balance at beginning of year	2,499	2,367
Cash book balance at end of year	<u>2,558</u>	<u>2,499</u>
Bank statement balance at beginning of year	2,367	2,264
Bank statement balance at end of year	<u>2,563</u>	<u>2,367</u>
Housing Capital Account		
<i>ABSA Bank - Joubertina Branch - Account Number 19 4015 8695:</i>		
Cash book balance at beginning of year	9,114	6,459
Cash book balance at end of year	<u>3,491,185</u>	<u>9,114</u>
Bank statement balance at beginning of year	9,114	6,459
Bank statement balance at end of year	<u>3,491,185</u>	<u>9,114</u>
Misgund Housing Account		
<i>ABSA Bank - Joubertina Branch - Account Number 91 2257 3572:</i>		
Cash book balance at beginning of year	1,338	1,297
Cash book balance at end of year	<u>1,339</u>	<u>1,338</u>
Bank statement balance at beginning of year	1,338	1,297
Bank statement balance at end of year	<u>1,339</u>	<u>1,338</u>
LED / IDP Account		
<i>ABSA Bank - Joubertina Branch - Account Number 40 5774 2120:</i>		
Cash book balance at beginning of year	179,891	63,638
Cash book balance at end of year	<u>161,531</u>	<u>179,891</u>
Bank statement balance at beginning of year	179,891	63,638
Bank statement balance at end of year	<u>183,131</u>	<u>179,891</u>
Motor Vehicle Registration Account		
<i>ABSA Bank - Joubertina Branch - Account Number 90 7906 4583:</i>		
Cash book balance at beginning of year	240,193	585,711
Cash book balance at end of year	<u>76,713</u>	<u>240,193</u>
Bank statement balance at beginning of year	477,933	585,711
Bank statement balance at end of year	<u>207,710</u>	<u>477,933</u>
Joubertina Peoples' Housing Account		
<i>ABSA Bank - Joubertina Branch - Account Number 91 0756 0295:</i>		
Cash book balance at beginning of year	5,697	5,408
Cash book balance at end of year	<u>5,824</u>	<u>5,697</u>
Bank statement balance at beginning of year	5,697	5,408
Bank statement balance at end of year	<u>5,835</u>	<u>5,697</u>
Projects Account		
<i>ABSA Bank - Joubertina Branch - Account Number 19 4015 8687:</i>		
Cash book balance at beginning of year	57,150	226,314
Cash book balance at end of year	<u>1,949,214</u>	<u>57,150</u>
Bank statement balance at beginning of year	57,150	226,314
Bank statement balance at end of year	<u>1,531,298</u>	<u>57,150</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
TLC IGG Fund Account (Renewal)		
<i>ABSA Bank - Joubertina Branch - Account Number 90 5224 6645</i>		
Cash book balance at beginning of year	80 311	71 856
Cash book balance at end of year	<u>86 177</u>	<u>80 311</u>
Bank statement balance at beginning of year	80 311	71 856
Bank statement balance at end of year	<u>86 177</u>	<u>80 311</u>

Traffic Management Technology (Botmac) Account		
<i>ABSA Bank - Joubertina Branch - Account Number 91 0220 9600</i>		
Cash book balance at beginning of year	338 797	296 209
Cash book balance at end of year	<u>693 593</u>	<u>338 797</u>
Bank statement balance at beginning of year	338 797	296 209
Bank statement balance at end of year	<u>693 593</u>	<u>338 797</u>

An amount of R5 209 511 (2009: R9 606 474) is attributable to Unspent Conditional Grants

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances

5.3 Cash and Cash Equivalents

Cash: Floats and Advances	310	310
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>310</u>	<u>310</u>

6. OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No

6.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 5 years, with an option to extend. An operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment which are receivable as follows:

Up to 1 year	5	37 400
2 to 5 years	2	7
More than 5 years		
Total Operating Lease Arrangements - as Lessor	<u>7</u>	<u>37 407</u>

The following restrictions have been imposed by the municipality in terms of the operating lease:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7. PROPERTY, PLANT AND EQUIPMENT

The municipality has taken advantage of the transitional provisions set out in Directive 4 of the Accounting Standards Board on GRAP 17. The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 Financial Statements. The municipality will embark on a process of itemising and measuring all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on Land-and-Buildings, Infrastructure Assets and Community Assets have been calculated on an averaging basis whereby an average useful life had been estimated for each category of community assets, using global historical costs recorded in the accounting records. The municipality has not assessed its items of property, plant and equipment for impairment. Depreciation method: remaining useful life and residual value.

During the previous year, the Municipality erroneously disclosed backlog depreciation of R23 378 160.18. This was corrected during the current year. Refer to Note 38 for details regarding this error.

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Total
R	R	R	R	R	R	R
Carrying values at 01 July 2009	4,774,780	72,628,498	15,367,229	10,001,151	501,169	103,272,827
Cost	4,774,780	72,628,498	15,367,229	10,001,151	501,169	103,272,827
- Completed Assets	4,774,780	72,628,498	15,367,229	10,001,151	501,169	103,272,827
- Under Construction	-	-	-	-	-	-
Correction of error (Note 36)	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
Acquisitions	-	329,535	-	656,912	-	986,447
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Acquisitions	-	113,102,780	-	-	-	113,102,780
- Cost	-	113,102,780	-	-	-	113,102,780
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying value of Disposals	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying values at 30 June 2010	4,774,780	186,060,813	15,367,229	10,660,063	501,169	217,364,054
Cost	4,774,780	186,060,813	15,367,229	10,660,063	501,169	217,364,054
- Completed Assets	4,774,780	72,958,033	15,367,229	10,660,063	501,169	104,261,274
- Under Construction	-	113,102,780	-	-	-	113,102,780
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
- Cost	-	-	-	-	-	-

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Total
	R	R	R	R	R	R
Carrying values at 01 July 2008	4,670,926	55,509,722	15,367,229	5,800,770	501,169	82,849,816
Cost	4,670,926	55,509,722	15,367,229	5,800,770	501,169	82,849,816
- Completed Assets	4,670,926	55,509,722	15,367,229	5,800,770	501,169	82,849,816
- Under Construction	-	-	-	-	-	-
Correction of error (Note 36)	-	-	-	-	-	-
Accumulated Impairment Losses:	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
Acquisitions	103,655	17,116,776	-	4,501,004	-	21,723,694
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	(1,300,683)	-	(1,300,683)
- Cost	-	-	-	(1,300,683)	-	(1,300,683)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying values at 30 June 2009	4,774,780	72,628,498	15,367,229	10,001,151	501,169	103,272,827
Cost	4,774,780	72,628,498	15,367,229	10,001,151	501,169	103,272,827
- Completed Assets	4,774,780	72,628,498	15,367,229	10,001,151	501,169	103,272,827
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Total Property, Plant and Equipment held by the municipality at 30 June 2010 amounted to R211.8 million (2009: R104.3 million), comprising the amounts analysed above (2010: R211.8 million, 2009: R104.3 million) and Assets classified as Held-for-Sale (2009 nil, 2009: nil).

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment including those in the course of construction.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
At Original Cost:		
Land and Buildings	-	1,175,703
Infrastructure	-	1,123,564
Other	-	332,629
Gross Carrying Value of PPE fully depreciated and still in use	-	2,631,896
7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
7.3 Assets pledged as security:		
The municipality did not pledge any of its assets as security.		
7.4 Impairment of Property, Plant and Equipment:		
No impairment losses has been calculated as the municipality has made use of the exemption from measurement in terms of Directive 4 of the ASB. Refer to 4.4 of the accounting policies.		
7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:		
The Remaining Useful Life of property, plant and equipment was taken into consideration during the process of identifying assets. The amounts for Change in Useful Life were not calculated separately and will included in the amounts for impairment. Therefore no changes in values are disclosed.		
7.6 Land and Buildings carried at Fair Value:		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
7.7 Compensation received for Losses:		
Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year:		
Compensation received from insurers	-	114,190
Carrying value of lost assets	-	(139,597)
Surplus / (Deficit) on Compensation received for Lost PPE	-	(25,407)

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
8. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>883,539</u>	<u>350,968</u>
The movement in Intangible Assets is reconciled as follows:		
Computer Software		
Carrying values at 01 July	350,968	360,948
Cost	350,968	360,948
Accumulated Amortisation	-	-
Acquisitions:	532,571	-
Purchased	532,571	-
Internally Developed	-	-
Amortisation:	-	-
Purchased	-	-
Internally Developed	-	-
Disposals:	-	(9,980)
At Cost	-	(9,980)
At Accumulated Amortisation	-	-
Carrying values at 30 June	883,539	350,968
Cost	883,539	350,968
Accumulated Amortisation	-	-

No amortisation expense has been calculated as the municipality has made use of the exemption from measurement in terms of Directive 4 of the ASB. Refer to 4.4 of the accounting policies.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets:

All Significant Intangible Assets, that meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, have been identified.

8.2 Intangible Assets with Indefinite Useful Lives:

The municipality depreciates all its Intangible Assets and no of such assets are regarded as having Indefinite useful lives.

8.3 Impairment of Intangible Assets:

Impairment of Intangible Assets was taken into consideration during the process of identifying property, plant and equipment. No Impairment Losses were recognised.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>289,543</u>	<u>289,543</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	289,543	289,543
Cost	289,543	289,543
Accumulated Depreciation	-	-
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	-	-
Impairment Losses during the Year	-	-
Carrying values at 30 June	289,543	289,543
Cost	289,543	289,543
Accumulated Depreciation	-	-
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	<u>255,000</u>	<u>255,000</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	129,600	161,164

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Cost:

The municipality's Investment Properties are accounted for according to the cost model.

9.2 Impairment of Investment Property:

Impairment of Investment Property was taken into consideration during the process of identifying property, plant and equipment. No Impairment Losses were recognised.

The municipality has made use of the exemption from measurement in terms of Directive 4 of the ASB. Refer to 5.3 of the accounting policies.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
10. LONG-TERM RECEIVABLES		
	Gross Balances R	Provision for Impairment R
As at 30 June 2010		Net Balances R
Staff Loans	122 978	109 570
	<u>122 978</u>	<u>109 570</u>
Less: Current Portion transferred to Current Receivables - Staff Loans		13 408
		<u>13 408</u>
Total Long-term Receivables		13 408
	Gross Balances R	Provision for Impairment R
As at 30 June 2009		Net Balances R
Staff Loans	122 978	109 570
	<u>122 978</u>	<u>109 570</u>
Less: Current Portion transferred to Current Receivables - Staff Loans		13 408
		<u>13 408</u>
Total Long-term Receivables		13 408

STAFF LOANS

In terms of the MFMA no Loans are granted to officials anymore. The outstanding amount is in respect of loans granted before 01 July 2004 and will continue until all loans have been repaid.

As at 30 June 2010 Long-term Receivables of R109 570 (2009: R109 570), were past due and a provision for impairment has been made for these amounts.

	2010 R	2009 R
10.1 Reconciliation of the Provision for Impairment		
Balance at beginning of year		
Impairment losses recognised	109 570	109 570
Amounts written off as uncollectable		
Balance at end of year	109 570	109 570

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being small and staff of the municipality. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
11. CONSUMER DEPOSITS		
Electricity and Water	104,700	104,700
Total Consumer Deposits	<u>104,700</u>	<u>104,700</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>
<p>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.</p> <p>No interest is paid on Consumer Deposits held.</p>		
12. PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 16 below)	50,916	46,246
Current Portion of Non-Current Provisions (See Note 19 below):	40,764	103,862
Total Provisions	<u>91,680</u>	<u>150,108</u>
<p>The movement of provisions is reconciled below:</p> <p>30 June 2010</p>		
Balance at beginning of year	150,108	165,303
Additions to provisions and expenditure incurred	(58,438)	(15,195)
Balance at end of year	<u>91,670</u>	<u>150,108</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Current Portion of Non-Current Provisions:		
	Long-term Service R	Post-retirement R
30 June 2010		
Balance at beginning of year	103 862	46 246
Transfer from non-current	40 754	50 916
Contributions to provision		
Expenditure incurred	(103 862)	(46 246)
Balance at end of year	40 754	50 916
30 June 2009		
Balance at beginning of year	122 175	43 125
Transfer from non-current	103 862	46 246
Contributions to provision		
Expenditure incurred	(122 175)	(43 125)
Balance at end of year	103 862	46 246
13. CREDITORS		
Trade Creditors	15 648 918	20 315 190
Payments received in Advance	2 316	7 448 187
Staff Annual Bonus Accrued	405 196	
Staff Leave Accrued	2 059 994	1 576 646
Sundry Deposits	17 462	2 380
Other Creditors	2 879 452	2 978 815
Total Creditors	20 993 339	32 321 196

The average credit period on purchases is 513 days (2009: 398 days). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality had financial risk policies in place to ensure that all payables are paid within the credit timeframe.

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Other Spheres of Government

	2010 26,674,226	2009 17,258,267
National Government Grants	16,586 648	10,855 977
Provincial Government Grants	7 454 143	5 753 937
Local Government Grants	1 292 791	960 265
Other Spheres of Government	1 360 445	(371 535)
Total Conditional Grants and Receipts	26,674,226	17,258,267

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Other Spheres of Government.

Refer to Appendix "F" for more detail on Conditional Grants.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
15. VAT PAYABLE		
Vat Payable	<u>515,879</u>	<u>2,216,931</u>

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16. SHORT-TERM LOANS

Other Loans	*	2,000,000
Total Short-term Loans	<u>*</u>	<u>2,000,000</u>

Other Loans are repayable on demand and were used as bridging finance for the payment of salaries for the months of May and June 2009. A zero rate of interest is payable on Other Loans.

17. OPERATING LEASE LIABILITIES / PAYABLES

17.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Vehicles and Other Equipment:		
Up to 1 year	146,643	279,192
2 to 5 years	133,593	142,095
More than 5 years	13,050	137,097
Total Operating Lease Arrangements	<u>146,643</u>	<u>279,192</u>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	175,790	132,549
Total Operating Lease Expenses	<u>175,790</u>	<u>132,549</u>

The municipality has operating lease agreements for the following classes of assets:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the renter.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the renter upon termination of the agreement.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
18. RETIREMENT BENEFIT LIABILITIES		
18.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	591,814	616,376
Contributions to Provision	49,957	66,659
Expenditure incurred	(46,248)	(43,128)
Increase/(reduction) due to re measurement	16,824	(47,993)
Balance at end of Year	<u>612,447</u>	<u>591,914</u>
Transfer to Current Provisions	<u>(50,916)</u>	<u>(46,246)</u>
Total Post-retirement Health Care Benefits Liability	<u>561,531</u>	<u>545,668</u>
Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 37.1 on "Change in Accounting Policies" for details of the restatement.		
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	2	2
Continuation Members (Retirees, widowers and orphans)	2	2
Total Members	<u>2</u>	<u>2</u>
The liability in respect of past service has been estimated as follows:		
In-service Members	612,447	591,914
Continuation Members	612,447	591,914
Total Liability	<u>612,447</u>	<u>591,914</u>
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- LA Health		
Health Care Cost Inflation Rate	6.91%	7.77%
Net Effective Discount Rate	8.27%	9.09%
There is no current service cost as there are only continuation members.		

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	591,914	616,376
Interest cost	49,957	66,659
Benefits paid	(46,248)	(43,128)
Actuarial losses / (gains)	16,824	(47,993)
Present Value of Fund Obligation at the end of the Year	612,447	591,914
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	612,447	591,914
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	612,447	591,914
Total Benefit Liability	612,447	591,914
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	-	-
Interest cost	49,957	66,659
Actuarial losses / (gains)	16,824	(47,993)
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	66,781	18,666
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the interest cost	54,800	
Effect on the defined benefit obligation	668,000	
Decrease:		
Effect on the aggregate of the interest cost	45,700	
Effect on the defined benefit obligation	584,000	

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2009.

Refer to Note 47 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

19. NON-CURRENT PROVISIONS

Provision for Long Service Awards	577,951	391,531
Total Non-current Provisions	577,951	391,531

Long Service Awards Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 37.1 on "Change in Accounting Policies" for details of the restatement.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
30 June 2010		Long Service R
Balance at beginning of year		
Contributions to provision		495,393
Expenditure incurred		211,917
Reduction due to re-measurement		(103,862)
		<u>15,257</u>
		618,705
Transfer to current provisions		(40,754)
Balance at end of year		<u>577,951</u>
30 June 2009		
Balance at beginning of year		455,636
Contributions to provision		152,071
Expenditure incurred		(122,175)
Reduction due to re-measurement		<u>9,961</u>
		495,393
Transfer to current provisions		(103,862)
Balance at end of year		<u>391,531</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 130 employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2010 is estimated to be R104 722 and R40 705 respectively, whereas the cost for the ensuing year is estimated to be R94 481 and R48 049. (2009 R108 628 and R43 443 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.03%	9.16%
Cost Inflation Rate	6.40%	6.57%

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	495,393	455,636
Current service costs	104,722	108,628
Interest cost	40,705	43,443
Benefits paid	(103,862)	(122,175)
Actuarial losses / (gains)	<u>15,257</u>	<u>9,961</u>

Present Value of Fund Obligation at the end of the Year	<u>552,215</u>	<u>495,393</u>
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Actuarial losses / (gains) unrecognised

Total Recognised Benefit Liability	<u>552,215</u>	<u>495,393</u>
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	552,215	495,393
Present value of unfunded obligations	<u>552,215</u>	<u>495,393</u>
Deficit	<u>552,215</u>	<u>495,393</u>
Total Benefit Liability	<u>552,215</u>	<u>495,393</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	104,722	108,628
Interest cost	40,705	43,443
Actuarial losses / (gains)	15,257	9,961
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	160,684	162,032

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:	
Effect on the aggregate of the current service cost and the interest cost	153,281
Effect on the defined benefit obligation	584,000
Decrease:	
Effect on the aggregate of the current service cost and the interest cost	138,251
Effect on the defined benefit obligation	523,000

The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2009 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2009.

20. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following:

Total Accumulated Surplus	180,253,657	64,232,395
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The abovementioned reserves were transferred to sub accounts in the Accumulated Surplus account in order to form part of the Accumulated Surplus. Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

21. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2010	July 2009		
Residential	900,687,000	99,903,262	6,975,364	4,983,760
Commercial	222,980,000	-	-	-
Agricultural	1,663,265,000	-	-	-
State	540,494,600	-	-	-
Municipal	-	-	-	-
Exempted Properties	294,037,400	9,251,817	-	-
Total Assessment Rates	3,621,474,000	109,155,079	6,975,364	4,983,760

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general valuation has been performed during the current financial year and such rates were introduced with effect from 1 July 2009.

An average general rate of 4,9879 c/R (2009: 4,9879 c/R) was applied to property valuations to determine assessment rates for the year. A uniform rate for the same class and type of property will be applied with the implementation of the Property Rates Act. Such rate was introduced with effect 1 July 2009.

A rebate of 20,00% (2008/2009: 20,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September.

22. SERVICE CHARGES

Sale of Electricity	1,256,255	1,129,310
Sale of Water	6,403,110	6,183,861
Refuse Removal	2,242,138	2,089,724
Sewerage and Sanitation Charges	4,654,358	4,242,423
Total Service Charges	<u>14,505,861</u>	<u>13,645,348</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

23. RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue		
- Investment Property	129,601	161,164
- Other Rental Revenue		7,806
Rental Revenue from Halls	37,757	33,752
Rental Revenue from Houses	8,976	52,365
Rental Revenue from Toilets	1,330	758
Rental Revenue from Other Facilities	26,303	25,987
Total Rental of Facilities and Equipment	<u>203,967</u>	<u>281,821</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
24. INTEREST EARNED		
External Investments:		
Bank Account	97,981	954,662
Investments	3,890,623	591,174
	<u>3,988,604</u>	<u>1,545,836</u>
Outstanding Debtors:		
Consumer Debtors	-	-
	<u>-</u>	<u>-</u>
Total Interest Earned	<u>3,988,604</u>	<u>1,545,836</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	3,988,604	1,545,836
Loans and Receivables	-	-
	<u>3,988,604</u>	<u>1,545,836</u>
25. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	18,224,367	13,669,304
Other Subsidies	-	4,698
Operational Grants	<u>18,224,367</u>	<u>13,674,002</u>
Conditional Grants	140,982,948	28,818,979
National: FMG	2,319,612	882,729
National: DWAF Grant	1,015,598	574,237
National: MIG	125,155,098	6,358,600
National: MSIG	342,717	205,469
Provincial: MSP Grant	-	155,590
Provincial: Department Housing Grant	4,770,464	17,249
Provincial: DPLG Grant	3,018,092	5,461,729
Local Government: Cacadu District Municipality Grant	1,228,196	10,228,464
Other Government: DBSA Grant	3,133,170	4,934,812
Total Government Grants and Subsidies	<u>159,207,336</u>	<u>42,492,981</u>
25.1 Provincial: Equitable Share	<u>18,224,367</u>	<u>13,669,304</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and certain poor areas 50 kWh electricity free every month.		
25.2 National: FMG (Financial Management Grant)		
Balance unspent at beginning of year	911,137	543,866
Current year receipts	2,750,000	1,250,000
Conditions met - transferred to Revenue	(2,319,612)	(882,729)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1,341,525</u>	<u>911,137</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
25.3 National: DWAF Grant		
Balance unspent at beginning of year		
Current year receipts	525,863	1,100,100
Conditions met - transferred to Revenue	1,015,598	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(1,015,598)</u>	<u>(574,237)</u>
	<u>525,863</u>	<u>525,863</u>

The Department of Water and Forestry Grant was allocated to the municipality to improve municipal systems and was used for indigent surveys, fixed asset register and drafting of water bylaws. No funds have been withheld.

25.4 National: MIG (Municipal Infrastructure Grant)

Balance unspent at beginning of year	7,673,564	6,150,841
Correction of opening balance	(6,318,996)	-
Current year receipts	138,150,559	7,881,323
Conditions met - transferred to Revenue	<u>(125,155,088)</u>	<u>(6,358,600)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>14,350,029</u>	<u>7,673,564</u>

The Municipal Infrastructure Grant (MIG) was allocated for the development of infrastructure. Funds have been distributed via the Local District Municipality. An unknown difference of R6 318 996 between the opening balance according to the reconciled grants register and the balance according to the AFS was corrected.

25.5 National: MSIG (Municipal Systems Improvement Grant)

Balance unspent at beginning of year	312,148	117,618
Current year receipts	400,000	400,000
Conditions met - transferred to Revenue	<u>(342,717)</u>	<u>(205,469)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>369,431</u>	<u>312,148</u>

The Municipal Systems Improvement Grant (MSIG) was allocated for the improvement of internal systems. No funds have been withheld.

25.6 Provincial: MSP (Municipal Support Programme) Grant

Balance unspent at beginning of year	-	155,590
Current year receipts	-	-
Conditions met - transferred to Revenue	<u>-</u>	<u>(155,590)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

These funds have been received as part of the Municipal Support Programme to obtain professional services to assist the municipality. No funds have been withheld.

25.7 Provincial: Department Housing Grant

Balance unspent at beginning of year	(206,082)	(188,833)
Current year receipts	4,780,364	-
Conditions met - transferred to Revenue	<u>(4,770,464)</u>	<u>(17,249)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(196,182)</u>	<u>(206,082)</u>

This grant was allocated for the building and repair of houses. The municipality acts as agent for the implementation of the plan. No funds have been withheld.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
25.8 Provincial: Department Local Government (DPLG) Grant		
Balance unspent at beginning of year	8,628,417	14,090,146
Current year receipts	2,000,000	-
Conditions met - transferred to Revenue	<u>(3,018,092)</u>	<u>(5,461,729)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>7,610,325</u>	<u>8,628,417</u>

These funds have been received as bridging finance for the sewerage project, property valuation, acquiring of service delivery vehicles and paying of creditors. No funds have been withheld.

25.9 Local Government - Cacadu District Municipality Grant

Balance unspent at beginning of year	(214,847)	(392,808)
Current year receipts	2,735,834	10,406,425
Conditions met - transferred to Revenue	<u>(1,228,196)</u>	<u>(10,228,464)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1,292,791</u>	<u>(214,847)</u>

These funds have been received for the repairs on damages to houses caused by floods and for LED projects. No funds have been withheld.

25.10 Other Government - DBSA (Development Bank of SA) Grant

Balance unspent at beginning of year	(371,933)	-
Current year receipts	4,885,548	4,562,978
Conditions met - transferred to Revenue	<u>(3,133,170)</u>	<u>(4,934,912)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1,380,445</u>	<u>(371,933)</u>

The Development Bank of SA allocates funds to ensure that infrastructure is maintained and improved. During the current financial year additional funds were received for drought relief. The grant was utilised for this purpose. No funds have been withheld.

25.11 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2009), government grant funding is expected to increase over the forthcoming three financial years.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26. OTHER INCOME		
Building Plan Fees	154,649	103,644
Cemetery Fees	40,749	37,493
Connection Fees	5,452	14,081
Information Fees	17,470	15,027
Land Use Application Fees	44,317	52,174
Valuation Certificates	4,985	5,888
Sundry Other Income	1,082,469	(10,449)
Total Other Income	1,350,091	217,858

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 21 to 22, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

27. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries, Wages and Bonuses	15,093,768	14,897,151
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	2,115,246	2,165,741
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3,457,216	3,388,742
Defined Benefit Plan Expense:		
Current Service Cost	171,212	108,628
Interest Cost	90,662	110,102
Net Actuarial (gains)/losses recognised	32,081	(38,032)
Benefits paid	(150,110)	(165,303)
Housing Benefits and Allowances	(94,423)	179,098
Overtime Payments	852,186	1,409,280
Performance Bonuses	-	-
Total Employee Related Costs	21,567,837	22,055,417

No advances were made to employees. Loans to employees are set out in Note 12.

Remuneration of the Municipal Manager

Annual Remuneration	380,800	393,600
Performance Bonus	-	-
Car and Other Allowances	240,533	262,400
Company Contributions to UIF, Medical and Pension Funds	1,373	-
Total	602,706	656,000

Remuneration of the Chief Financial Officer

Annual Remuneration	338,966	341,145
Performance Bonus	-	-
Car and Other Allowances	224,491	225,808
Company Contributions to UIF, Medical and Pension Funds	1,487	-
Total	564,954	566,953

Remuneration of the Manager: Corporate Services

Annual Remuneration	113,715	341,145
Performance Bonus	-	-
Car and Other Allowances	47,759	145,836
Company Contributions to UIF, Medical and Pension Funds	8,587	-
Total	170,061	486,981

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Remuneration of the Manager: Strategic Services		
Annual Remuneration	255,859	341,145
Performance Bonus	-	-
Car and Other Allowances	151,460	213,878
Company Contributions to UIF, Medical and Pension Funds	19,814	-
Total	427,133	555,023
Remuneration of the Manager: Technical Services		
Annual Remuneration	481,328	338,250
Performance Bonus	-	-
Car and Other Allowances	58,091	121,000
Company Contributions to UIF, Medical and Pension Funds	1,487	22,000
Total	650,916	481,250

Employee related costs include compensation to key management personnel in terms of IAS 18 as at 30 June.

28. REMUNERATION OF COUNCILLORS

Mayor	418,129	296,081
Councillors	757,785	1,215,874
Sundry Allowances (Cellular Phones, etc)	544,371	508,804
Total Councillors' Remuneration	1,720,285	2,020,759

In-kind Benefits

The Councillor occupying the position of Mayor serves in a full-time capacity. He is provided with office accommodation and secretarial support at the expense of the municipality in order to enable him to perform his official duties.

The Mayor has use of Council owned vehicles for official duties.

The Mayor has a full-time driver.

29. DEPRECIATION AND AMORTISATION

No depreciation and amortisation expenses have been calculated as the municipality has made use of the exemption from measurement of assets in terms of Directive 4 of the ASB.

30. IMPAIRMENT LOSSES

As restated

30.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment

Intangible Assets

Investment Property

-	-
-	-
-	-

30.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Long-term Receivables

Consumer Debtors

Other Debtors

19,189,079	22,163,776
19,189,079	22,163,776
-	-
19,189,079	22,163,776
19,189,079	22,163,776

Total Impairment Losses

19,189,079 22,163,776

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
31. FINANCE COSTS		
Bank Overdrafts		
Other Interest Paid	79,097	37,853
Total Interest Paid on External Borrowings	<u>79,097</u>	<u>37,853</u>
32. BULK PURCHASES		
Electricity	1,364,574	1,912,393
Water	152,690	48,953
Total Bulk Purchases	<u>1,517,263</u>	<u>1,961,346</u>
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Louerwater Engineering Works.		
33. CONTRACTED SERVICES		
Consultancy Services		918,856
Contractors' Fees	790,685	1,533,061
Professional Fees	240,241	1,811,758
Project Management Fees	108,204	83,772
Security Services	399,622	479,935
Valuation Services	1,018,082	450,337
Total Contracted Services	<u>2,556,845</u>	<u>5,277,738</u>
34. GRANTS AND SUBSIDIES PAID		
Community Projects	15,445,430	5,012,817
Low Income Subsidy / Free Basic Services	1,048,548	3,452,499
Other	-	-
Total Grants and Subsidies	<u>16,493,977</u>	<u>8,465,316</u>

Community Projects are in respect of conditional and other grants utilised for the upliftment of housing and basic service needs of communities and flood/drought relief within the municipality's area of jurisdiction.

The Low Income Subsidy/Free Basic Services is in respect of providing basic service levels to indigent/residential households. Refer to Note 25.1.

The Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
35. GENERAL EXPENSES		
Included in General Expenses is the following:		
Advertising	87,106	159,376
Auditing Fees	285,482	1,985,413
Banking Charges	97,737	95,220
Capacity Building	1,693,013	1,461,466
Chemicals	77,232	851,244
Congress and Conference Fees	2,000	64,095
Fuel and Oil	1,034,035	1,137,421
Insurance	325,203	637,844
L E D Strategy Expenses	127,371	274,687
Legal Expenses	345,066	330,592
Licence Fees	169,817	762,571
Materials and Stores	769,963	303,931
Mayoral Discretionary Expenses	27,140	148,307
Membership and Subscription Fees	10,702	17,107
Printing and Stationery	161,345	949,875
Refreshments	12,519	121,147
Refuse Bin Purchases	79,920	61,249
Rentals: Office Equipment	410,697	301,131
Rentals: Vehicles and Plant	(34,327)	377,711
Telephone	926,169	1,282,775
Training Costs	5,000	141,158
SETA Training Levy	189,672	78,871
Travelling and Subsistence	565,091	981,001
Other General Expenses	1,591,639	373,959
Total General Expenses	8,959,602	12,878,140

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

35.1 Material Losses

Theft	363,209
Vehicle Damages	44,391
	318,818

35.2 Flood Damage

Flood damage costs resulted from unseasonal floods that occurred in most areas under the jurisdiction of the municipality. The municipality had to repair damages to housing, roads, stormwater and water distribution works. The flood damage was unforeseen and has never occurred previously. These amounts have been included in note 25. Refer to Appendix F for total of capital and current expenditure.

125,624,559	12,717,382
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35.3 Drought Relief

The areas under the jurisdiction of the municipality are experiencing the worst drought in 80 years. The municipality had to construct new boreholes in all the affected areas and provide communities with water tanks and supply the transport needed to fill the same regularly.

4,934,912

36. DISCONTINUED OPERATIONS

No operations have been discontinued.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

37. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2009/2010 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2010:

37.1 Restatement of Provision for Post-retirement Benefits, Provision for Long term Service Awards and Accumulated Surplus

IAS 19 - Employee Benefits, paragraph 155 (a):

During the prior period the municipality had utilized the exemption granted by the Minister of Finance in terms of General Notice 522 of 2007, regarding compliance with certain requirements of IAS 19. The transitional defined benefit liabilities for Post-employment Health Care Benefits and Long Service Allowances have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, 155 (a). Thus the full net liabilities as at 30 June 2009 has been recognised immediately in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

The prior year figures of Provision for Post-retirement Benefits, Provision for Long-term Service and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of IAS 19.

	Post retirement benefits	Long service awards	Accumulated surplus
Balances as published at 30 June 2008	-	-	58,611,050
Recognition / transfer of Provisions	616,376	455,536	(1,071,912)
Restated balance at 30 June 2008	616,376	455,536	57,539,138
Transactions incurred for the Year 2008/2009:			
Contributions Received	66,659	152,071	
Actuarial loss/(gain)	-47,993	9,961	
Expenditure incurred	-43,128	(122,175)	
Restated balance at 30 June 2009	591,914	495,393	57,539,138

The prior year figures of Employee Related Costs have been restated to implement IAS 19.

The effect of the Change in Accounting Policy is as follows:

	Employee Related Cost	Deficit for the Year
Amount per AFS previously published for 2008/2009	21,761,296	(863,903)
Implementation of IAS 19	15,395	(15,395)
	21,776,691	(879,298)

37.2 Reclassification of Trade Receivables

	Trade Receivables from Exchange Transactions	Trade Receivables from Non- Exchange Transactions
Balance previously reported:-	16,243,708	1,618,664
Reclassification to comply with GRAP	-4,303,759	4,303,759
Consumer Debtors as at 30 June 2007 restated to comply with GRAP	11,939,949	5,922,423

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R

38. CORRECTION OF ERROR

A number of errors in prior periods' appropriations and transactions were discovered and corrected in the current financial period. These errors include expense amounts that should be expensed to relevant accounts in the Statement of Financial Performance.

38.2 Provision for Impairment of Trade Receivables

The actual recovery rate of trade receivables from exchange and non-exchange transactions during the current year was much lower than expected which indicates that the provision for impairment of trade receivables was understated during the prior year. This under provision was corrected.

The effect of the correction of error is as follows:

Balance as previously reported - Exchange transactions	11,939,948
Increase in provision for impairment	<u>9,662,270</u>
Balance as restated	<u>21,602,218</u>
 Balance as previously reported - Non-exchange transactions	 10,028,338
Increase in provision for impairment	<u>2,656,636</u>
Balance as restated	<u>12,684,974</u>

38.3 Property, Plant And Equipment

Errors in the balance of Property, Plant and Equipment during the prior year corrected: The prior year balance of backlog accumulated depreciation and impairment losses have been reversed through accumulated income as the Municipality utilised the relief provided in Directive 4. Infrastructure assets purchases incurred before year not recognised in 2009. The Municipality received donated office equipment during the previous year that was disclosed at R1. The value of these assets were changed to their market related values.

The effect of the correction of error is as follows:

Balance as previously reported	73,216,382
Correction of error - Reversal of backlog accumulated depreciation	22,670,065
Correction of error - Reversal of impairment losses recognised in prior year	281,067
Correction of error - Infrastructure assets not recognised previous year	7,022,225
Correction of error - Donated at market related value	<u>83,088</u>
Balance as restated	<u>103,272,827</u>

38.4 Intangible Assets

Reversal of backlog accumulated depreciation

Errors in the balance of Intangible Assets during the prior year corrected: The prior year balance of backlog accumulated depreciation have been reversed through accumulated income as the Municipality utilised the relief provided in Directive 4. Infrastructure assets purchases incurred before year not recognised in 2009.

The effect of the correction of error is as follows:

Balance as previously reported	236,840
Correction of error - Reversal of backlog accumulated depreciation	<u>114,128</u>
Balance as restated	<u>350,968</u>

38.5 Creditors

Invoices dated before 30 June 2009 for expenses, Property, Plant and Equipment and Unspent Conditional Grants and Receipts were found that were not included in creditors during the prior year which have been corrected.

The effect of the correction of error is as follows:

38.5.1 Balance as previously reported	16,791,222
Recognition of creditors	<u>13,953,328</u>
Balance as restated	<u>30,744,550</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
38.5.2 Effect on Unspent conditional grants and receipts		
Balance as previously reported		19,902,630
Recognition of creditors		(2,644,363)
Balance as restated		<u>17,258,267</u>
38.5.3 Effect on VAT payable		
Balance as previously reported		3,196,361
VAT effect on recognition of creditors		(879,430)
		<u>2,216,931</u>
38.6 Effect on the Unappropriated Surplus/(Accumulated Deficit)		
Balance as previously reported as adjusted with change in accounting policy (Note 37)		57,539,136
Reversal of backlog depreciation: Property, Plant and Equipment		22,670,065
Reversal of backlog depreciation: Intangible Assets		114,128
Donated assets restated at market related values		83,088
Balance as restated		<u>80,406,419</u>
38.7 Effect on the Surplus/(deficit) for the year		
Balance as previously reported as adjusted with effect of change in policy		(879,298)
Recognition of creditors		(2,508,316)
Reversal of impairment losses in prior year		261,007
Increase in provision for impairment		(12,318,506)
Prior year appropriations		50,423
Balance as restated at end of the year		<u>(15,375,029)</u>
39. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	116,021,261	(15,375,029)
Adjustment for:		
Carrying Value of Property, Plant and Equipment not verified written off		488,378
Carrying Value of Intangible Assets not verified written off		9,980
Contribution to Retirement Benefit Liabilities	143,845	15,395
Contribution to Provisions - Current	866,546	464,753
Contribution to Impairment Provision	19,189,080	22,163,776
Investment Income	(3,988,604)	(1,545,836)
Finance Costs	75,097	37,853
Operating surplus before working capital changes	<u>132,313,225</u>	<u>6,279,271</u>
Decrease/(Increase) in Consumer Debtors	(1,962,924)	1,738,132
Decrease/(Increase) in Other Debtors	(5,206,534)	(11,973,886)
Increase/(Decrease) in Creditors	(12,196,404)	24,091,639
Increase/(Decrease) in Conditional Grants and Receipts	9,415,959	(4,318,253)
Increase/(Decrease) in VAT Payable	(1,701,052)	(414,733)
Cash generated by Operations	<u>110,662,270</u>	<u>15,402,170</u>

40. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2009/2010 financial year.

41. FINANCING FACILITIES

The municipality does not have a bank overdraft facility or any other financing facilities available.

42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

The municipality does not have any outstanding Long-term Liabilities.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

43.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	16,970,000	-
Unauthorised Expenditure current year	-	16,970,000
Approved by Council or condoned	-	-
Unauthorised Expenditure awaiting authorisation	<u>16,970,000</u>	<u>16,970,000</u>

43.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening balance	37,853	-
Fruitless and Wasteful Expenditure current year	79,573	37,853
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>117,426</u>	<u>37,853</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payment - Eskom: R79 096.79	None
Amount unrecovered from unlawful withdrawals: R476.21	None

43.3 Irregular Expenditure

The following instances of Irregular Expenditure were identified and details are disclosed below:

Reconciliation of Irregular Expenditure:

Opening balance	93,410	-
Irregular Expenditure current year	1,073,241	93,410
Condoned or written off by Council	-	-
Transfer to receivables for recovery (see Note 4)	(820,934)	-
Irregular Expenditure awaiting condonement	<u>345,716</u>	<u>93,410</u>

Incident	Disciplinary Steps / Criminal Proceedings
Councillors salaries not paid in terms of Government Gazette. Amount of overpayment: R368 820.	Investigated by the SIU and steps to be implemented for recovery.
Councillors unauthorised salary increases of R61 518.78	Amount have been recovered.
Overpayments to Mr Ndokweni of R293 995.98	Steps to be implemented for recovery
Irregular payments of performance bonuses and overpayments of travelling and maternity leave of R165 302	Steps to be implemented for recovery
Councillor paid while on leave: R114 716	To be taken to council
Theft of cash: R29 623	To be taken to council
Petrol credit card used irregular by councillor: R39 265	Credit card was subsequently cancelled.

44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

44.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	103,151	65,181
Amount Paid - current year	-	(65,181)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>103,151</u>	<u>-</u>

44.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	772,343	1,038,343
Amount Paid - current year	(772,343)	(1,038,343)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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44.3 VAT

VAT inputs receivables and VAT outputs payables are shown in Note 7. All VAT returns have been submitted by the due date throughout the year.

44.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	2,728,514	2,561,285
Amount Paid - current year	(2,728,514)	(2,561,285)
Amount Paid - previous years	-	-
Balance Unpaid (Included in Creditors)	-	-

44.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	1,793,846	1,263,022
Amount Paid - current year	(1,793,846)	(1,263,022)
Amount Paid - previous years	-	-
Balance Unpaid (Included in Creditors)	-	-

44.6 Councilor's arrear Consumer Accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2010			
Councillor Wogane MW	988	553	434
Councillor Jacobs S	3,170	484	2,686
Total Councilor Arrear Consumer Accounts	4,157	1,037	3,120
30 June 2009			
Councillor Wogane MW	1,052	60	992
Total Councilor Arrear Consumer Accounts	1,052	60	992

During the year the following Councilors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing > 90 Days
30 June 2010		
Councillor Wogane MW	434	> 90 Days
Councillor Jacobs S	2,686	> 90 Days
30 June 2009		
Councillor Wogane MW	992	> 90 Days

44.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010 2009
R R

44.8 Deviation from, and ratification of minor breaches of, the Procurement Processes
In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council.

Department	Date	Successful Tenderer	Reason	Amount
Technical & Infrastructure Services	Year 2009/2010	Rent in chemicals	Emergency Health Risk	444,605.70 Including VAT
Urgent acquisition of Chemicals for water purification due to DWAF reports				
Technical & Infrastructure Services	Year 2009/2010	SJW Civils Rudoor Civils Civil Construction & Skills Training CC Aurecon Tetraover	Emergency Sewerage Sanitation	3,266,147.48 1,138,899 3,782,679 1,811,305 6,091,655.04
Urgent acquisition of contractors for emergency replacement of old water and sewer pipes.				

45. COMMITMENTS FOR EXPENDITURE

45.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other

45,011,830	70,124
45,011,830	70,124
-	-
-	-

- Approved but Not Yet contracted for:-

Infrastructure
Community
Other

-	-
-	-
-	-

Total Capital Commitments

45,011,830	70,124
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This expenditure will be financed from:

Capital Replacement Reserve
Government Grants
District Council Grants

-	-
45,011,830	70,124
-	-
45,011,830	70,124

45.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 17.

45.3 Other Commitments

The municipality had entered into a contract with Kamva Security Services for the provision of security services for 3 years, which contract expired on 30 June 2009. The contract is now being continued on a month-to-month basis.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
46. FINANCIAL INSTRUMENTS			
<i>46.1 Classification</i>			
FINANCIAL ASSETS:			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Staff Loans	Loans and receivables	13,408	13,408
Consumer Debtors			
Assessment Rates	Loans and receivables	869,621	1,647,124
Electricity	Loans and receivables	8,359	32,909
Refuse	Loans and receivables	226,998	429,416
Sewerage	Loans and receivables	371,164	669,077
Water	Loans and receivables	669,643	953,427
Housing	Loans and receivables	90,597	176,586
Loan Instalments	Loans and receivables	18	(0)
Other Debtors	Loans and receivables	9,175	16,264
Other Debtors			
Insurance Claims	Loans and receivables	114,190	114,190
Sundry Debtors	Loans and receivables	1,164,079	1,504,474
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	680,261	141,801
Bank Balances	Available for sale	7,017,993	9,608,474
Cash Floats and Advances	Available for sale	310	310
Current Portion of Long-term Receivables			
Staff Loans	Loans and receivables	13,408	13,408
SUMMARY OF FINANCIAL ASSETS			
Loans and Receivables			
Long-term Receivables	Staff Loans	13,408	13,408
Consumer Debtors	Assessment Rates	869,621	1,647,124
Consumer Debtors	Electricity	8,359	32,909
Consumer Debtors	Refuse	226,998	429,416
Consumer Debtors	Sewerage	371,164	669,077
Consumer Debtors	Water	669,643	953,427
Consumer Debtors	Housing	90,597	176,586
Consumer Debtors	Loan Instalments	18	(0)
Consumer Debtors	Other Debtors	9,175	16,264
Other Debtors	Insurance Claims	114,190	114,190
Other Debtors	Sundry Debtors	1,164,079	1,504,474
Current Portion of Long-term Receivables	Staff Loans	13,408	13,408
Bank, Cash and Cash Equivalents	Call Deposits	680,261	141,801
Bank, Cash and Cash Equivalents	Bank Balances	7,017,993	9,608,474
Bank, Cash and Cash Equivalents	Cash Floats and Advances	310	310
		<u>11,249,223</u>	<u>15,320,866</u>
Total Financial Assets		<u>11,249,223</u>	<u>15,320,866</u>

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows: (FVTPL = Fair Value through Profit or Loss):			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	104,700	104,700
Creditors			
Trade Creditors	Financial liabilities at amortised cost	15,648,915	20,315,190
Payments received in Advance	Financial liabilities at amortised cost	2,318	7,448,167
Sundry Deposits	Financial liabilities at amortised cost	17,462	2,380
Other Creditors	Financial liabilities at amortised cost	2,879,452	2,978,813
Other			
Unspent Conditional Grants and Receipts		26,674,226	17,258,267
Short-term Loans			
Other Loans	Financial liabilities at amortised cost	-	2,000,000
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Consumer Deposits	Electricity and Water	104,700	104,700
Creditors	Trade Creditors	15,648,915	20,315,190
Creditors	Payments received in Advance	2,318	7,448,167
Creditors	Sundry Deposits	17,462	2,380
Creditors	Other Creditors	2,879,452	2,978,813
Short-term Loans	Other Loans	-	2,000,000
Unspent Conditional Grants and Receipts		26,674,226	17,258,267
		<u>45,327,072</u>	<u>50,107,517</u>
Total Financial Liabilities		<u>45,327,072</u>	<u>50,107,517</u>

46.2 Fair Value of Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R

46.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2009.

The capital structure of the municipality consists of debt, which includes Short-term Loans, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	26,874,228	19,255,267
Bank, Cash and Cash Equivalents	(18,947,786)	(25,071,451)
Net Debt	7,726,438	(5,813,184)
Equity	167,880,054	56,419,211
Net debt to equity ratio	4.11%	-9.95%

Debt is defined as Short-term Loans, as detailed in Note 16.

Equity includes all Funds and Reserves of the municipality disclosed as Net Assets in the Statement of Financial Performance.

46.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

46.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

46.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

46.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010 2009
R R

46.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in the note below.

<u>Financial Assets</u>	<u>Classification</u>		
<u>External Investments:</u>			
Call Deposits	Loans and Receivables	680,261	141,801
Bank Balances	Loans and Receivables	7,017,993	9,608,474
		<u>7,698,254</u>	<u>9,750,275</u>
<u>Interest received</u>			
Interest Earned - External Investments		3,988,604	1,545,836
Interest rate		<u>51.81%</u>	<u>15.85%</u>
<u>Effect of a change in interest rate on interest earned from external investments:</u>			
Effect of change in interest rate	%	52.81%	16.65%
Effect of change in interest rate	Rand value	<u>4,065,686</u>	<u>1,643,339</u>
Effect of change in interest rate	%	60.81%	14.85%
Effect of change in interest rate	Rand value	<u>3,911,621</u>	<u>1,448,333</u>

No material interest is paid on long or short term loans and therefore no sensitivity analysis for interest paid was done as this will not provide any useful information.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

46. FINANCIAL INSTRUMENTS (Continued)

46.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(e) and (b) the following tables indicate the average effective interest rates of income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
FIXED RATE INSTRUMENTS								
Total Fixed Rate Instruments	#		-	-	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	5		680,261	680,261	-	-	-	-
Bank Balances and Cash	5		7,017,993	7,017,993	-	-	-	-
Total Fixed Rate Instruments			7,698,254	7,698,254	-	-	-	-

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
FIXED RATE INSTRUMENTS								
Total Fixed Rate Instruments	#		-	-	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	5		141,801	141,801	-	-	-	-
Bank Balances and Cash	5		9,608,784	9,608,474	-	-	-	-
Total Fixed Rate Instruments			9,750,585	9,750,275	-	-	-	-

46.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

46.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS #	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
30 June 2010								
Non-Interest Bearing		0.00%	-	-	-	-	-	-
Fixed Interest Rate Instruments		0.00%	-	-	-	-	-	-
			-	-	-	-	-	-
30 June 2009								
Non-Interest Bearing		0.00%	2,000,000	2,000,000	-	-	-	-
Fixed Interest Rate Instruments		0.00%	-	-	-	-	-	-
			2,000,000	2,000,000	-	-	-	-

KOU-KAMMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

46. FINANCIAL INSTRUMENTS (Continued)

46.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting maximum terms, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Council.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables		
Consumer Debtors	2,245,574	3,924,801
Other Debtors	2,147,890	3,265,788
Bank, Cash and Cash Equivalents	7,698,564	9,750,585
Maximum Credit and Interest Risk Exposure	12,092,029	16,941,174

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables		
Group 2	13,408	13,408
Total Long-term Receivables	<u>13,408</u>	<u>13,408</u>
Consumer Debtors		
Counterparties without external credit rating:-		
Group 2	50,042,160	2,277,678
	<u>50,042,160</u>	<u>2,277,678</u>
Total Consumer Debtors	<u>50,042,160</u>	<u>2,277,678</u>
Other Debtors		
Group 1		
Group 2	2,147,890	3,265,788
Total Other Debtors	<u>2,147,890</u>	<u>3,265,788</u>
Bank Balances		
ABSA Bank	7,698,564	9,750,585
Total Bank Balances	<u>7,698,564</u>	<u>9,750,585</u>

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as Investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

47. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Koukamma Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009.

The statutory valuation performed as at 30 June 2009 revealed that the fund had a surplus of R0,0 (30 June 2008: R182,7) million, with a funding level of 100,0% (30 June 2008: 106,5%) and a solvency reserve with a closing balance of R220,6 (30 June 2008: R0,0) million. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,1%.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009.

The statutory valuation performed as at 30 June 2009 revealed that the investment reserve of the fund amounted to R1 171 (30 June 2008: R12 033) million, with a funding level of 100,3% (30 June 2008: 103,3%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009. The statutory valuation performed as at 30 June 2009 revealed that the assets of the fund amounted to R6 842 (30 June 2008: R6 675) million, with funding levels of 100,8% and 131,8% (30 June 2008: 101,1% and 112,2%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and their councils (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was undertaken at 30 June 2006, and the actuary reported that the fund was as a whole in a sound financial position, with a funding level of 106,5%.

No further details could be provided for after the last valuation, being 30 June 2006.

South African Municipal Workers Union National Provident Fund:

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005. The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100,0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

48. RELATED PARTY TRANSACTIONS

48.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Jacobs S	Councillor	Mama Liza's Catering Services CC
Jacobs S	Councillor	Remondo's Catering Services CC
Kettledas J	Councillor	Koukamma Fruit Packers
Kettledas J	Councillor	Milau Development Fund
Strydom F	Councillor	Cola Strydom Wyatt Bio Diesel Enterprises CC
Wogane MW	Councillor	Tsitsikamma Event Caterers CC
Collier DM	Official	Transformational Corporate Trading System CC
Kosi S	Official	Ezimvubu Youth Investment CC
Kosi S	Official	Prehensile Suppliers CC
Makamba TJS	Official	Blue Sands Trading 641 CC
Makamba TJS	Official	Linda-Makamba Truck Services
Minnaar AN	Official	Dibane Project Managers (Pty) Ltd
Minnaar AN	Official	Maastop CC
Senatle MC	Official	Capstan Trading 610 CC
Senatle MC	Official	Rio Ridge 1080 CC
Spellman S	Official	Eyesizwe GIS and Property Evaluation Consulting CC
Tetyana N	Official	Moolies Caterers CC
Gaushe F	Official	Nourish 24
Gaushe F	Official	Ressurrection 24

48.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2010				
Councillors	1488.9	12,702	-	4,157
Municipal Manager and Section 57 Personnel	-	-	-	-
	<u>1488.9</u>	<u>12,702</u>	<u>-</u>	<u>4,157</u>
For the Year ended 30 June 2009				
Councillors	3,391	18,044	-	1,052
Municipal Manager and Section 57 Personnel	-	-	-	42,909
Total Services	<u>3,391</u>	<u>18,044</u>	<u>-</u>	<u>43,961</u>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

48.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

48.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 25 and 26 respectively, to the Annual Financial Statements.

48.4 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

49. CONTINGENT LIABILITIES

49.1 Court Proceedings:

(i) A claim, estimated to be R500 000, was lodged against the municipality for the contractual payment of a year's remuneration upon termination of service by a former Chief Financial Officer. The municipality paid a full and final settlement during August 2008 in the amount of R150 000. Subsequently another R353 000 has been paid to the sheriff, which the municipality is claiming back. The outcome of the claim is still uncertain.

(ii) Costs, of which the amount is not known, might have to be incurred by the municipality to defend a court case with regard to the transfer of property in Coldstream. The matter has been finalised.

(iii) A claim by the municipality to the SAMWU Provident Fund in respect of the disability of an employee was rejected by the fund due to the late submission thereof. Should the municipality not be able to convince the Fund in honouring the claim, the municipality might be held responsible for the claim of R120 042. The outcome of the process is unknown at this stage.

(iv) Personnel matters:

Employee name

Reason

- B Sass

Severance package

- T Mohr

Claim of R507 752 for leave pay, travel claims, Post retirement medical aid. Anticipated cost to finalise the proceedings amounts to R70 - R100 thousand

- N Oudshoorn

Short payment on termination. A claim of R437 262 has been submitted. Anticipated cost to finalise the proceedings amounts to R70 - R100 thousand.

- F Gaushe

Unfair dismissal

- Spellman

Disciplinary hearing

- M Ndokwini

Arbitration

- E Peterson & Others

Arbitration

- M Ncipa

Arbitration

- W Hloyi

Disciplinary hearing (Theft of Municipal monies of R16 974)

- R April

Disciplinary Hearing

50. GOING CONCERN

The Municipality's debtors' collection days for the 2008/2009 year was 865 days and 825 days for 2009/2010. It is doubtful that the Municipality will be able to collect these debtors and therefore the provision for bad debts was increased by R12 318 906 for 2008/2009 and by R19 189 079 for 2009/2010.

The community is refusing to pay for services due to incorrect accounts and faulty water meters and delay in receiving monthly statements.

The creditor's payment ratio for 2008/2009 was 398 days and increased to 513 days in 2010. This indicates the inability by the Council to pay creditors by the norm of 30 days.

Certain service providers have suspended service to the municipality due to non-payment and certain service providers are on the cash basis.

The MEC responsible for Local Government and Traditional Affairs in the Eastern Cape issued a Notice to assume responsibility for the administration in terms of section 139(1)(b) of the Constitution of the Republic of South Africa, (Act no 108 of 1996) on the 9th April 2009. The intervention was for an initial period of three (3) months subject to review and has subsequently been extended.

These conditions indicate a risk that the Municipality might not be able to continue to function as a going concern in the foreseeable future. The Municipality appointed a service provider to assist in the collection of outstanding debt.

51. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

52. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

- (i) Secondment of one Financial Expert by DBSA for two years
- (ii) Secondment of one Engineer by DBSA for two years
- (iii) Secondment of three Young Technical Professionals by DBSA for two years
- (iv) Secondment of five officials from the Provincial Treasury

53. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexure "E (1) and E (2)".

54. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2009/2010.

55. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2010.

56. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 37) and Correction of Prior Period Errors (Note 38).

57. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
KOU-KAMMA MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2009	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2010
	R				R	R	R	R
SHORT-TERM LOANS								
Cacadu District Municipality	-	0.00%	N / A	On Demand	2,000,000	-	2,000,000	-
Total Capital Lease Liabilities	-				2,000,000	-	2,000,000	-
TOTAL EXTERNAL LOANS	-				2,000,000	-	2,000,000	-

ANNUITY LOANS:

Cacadu District Municipality:

Unstructured and unsecured loan for bridging finance. Original loan capital of R4 000 000 was repaid during the year.

APPENDIX B

KOUKAMMA LOCAL MUNICIPALITY ANALYSIS OF INVESTMENT ASSETS AS AT 30 JUNE 2010

Description	Cost Reclassification				Accumulated Depreciation, Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Change Balance	Opening Balance	Additions	Disposals	
Land	24 541	-	-	-	24 541	-	-	-	24 541
Buildings	2 701 141	-	-	-	2 701 141	-	-	-	2 701 141
Plant and Equipment	1 001 115	-	-	-	1 001 115	-	-	-	1 001 115
Intangible Assets	2 701 141	27 140	-	-	2 728 281	-	-	-	2 728 281
HOUSING ASSETS	10 001 152	658 512	-	-	10 659 664	-	-	-	10 659 664
Housing Schemes	-	-	-	-	-	-	-	-	-
Land for Housing Land	501 160	-	-	-	501 160	-	-	-	501 160
TOTAL ASSETS	103 272 829	908 427	113 082 779	-	217 364 034	-	-	-	217 364 034

KOUKAMMA LOCAL MUNICIPALITY ANALYSIS OF INVESTMENT ASSETS AS AT 30 JUNE 2010

Description	Cost Reclassification				Accumulated Depreciation, Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Change Balance	Opening Balance	Additions	Disposals	
Investment Property Assets	-	-	-	-	-	-	-	-	-
Buildings	2 701 141	-	-	-	2 701 141	-	-	-	2 701 141
TOTAL ASSETS	2 701 141	-	-	-	2 701 141	-	-	-	2 701 141

KOUKAMMA LOCAL MUNICIPALITY ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2010

Description	Cost Reclassification				Accumulated Depreciation, Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Change Balance	Opening Balance	Additions	Disposals	
Intangible Assets	1 001 115	27 140	-	-	1 028 255	-	-	-	1 028 255
Intangible Assets	2 701 141	531 471	-	-	3 232 612	-	-	-	3 232 612
TOTAL ASSETS	103 272 829	1 521 017	113 082 779	-	218 534 636	-	-	-	218 534 636

APPENDIX C
KOUKAMMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Opening Balance		Additions		Cost Revaluation Under Construction		Disposals		Closing Balance	Accumulated Depreciation			Accumulated Impairment			Accumulated Depreciation			Impairment			Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	-	-	-	-	-	-	-	-	18 448 500	-	-	-	-	-	-	-	-	-	-	-	-	18 448 500	-
Finance & Admin	18 083 117	165 449	8 213	-	-	-	-	-	2 588 722	-	-	-	-	-	-	-	-	-	-	-	-	2 588 722	-
Planning and Development	2 580 509	-	-	-	-	-	-	-	306 460	-	-	-	-	-	-	-	-	-	-	-	-	306 460	-
Health	306 460	-	-	-	-	-	-	-	267 276	-	-	-	-	-	-	-	-	-	-	-	-	267 276	-
Community & Social Services	172 000	64 607	-	-	-	-	-	-	507 560	-	-	-	-	-	-	-	-	-	-	-	-	507 560	-
Housing	507 560	-	-	-	-	-	-	-	1 808 041	-	-	-	-	-	-	-	-	-	-	-	-	1 808 041	-
Public Works	1 808 041	39 213	-	-	-	-	-	-	501 685	-	-	-	-	-	-	-	-	-	-	-	-	501 685	-
Sport & Recreation	401 685	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	2 430 106	-	-	-	-	-	-	-	2 430 106	-	-	-	-	-	-	-	-	-	-	-	-	2 430 106	-
Waste Management	26 040 325	896	-	-	-	-	-	-	26 040 325	-	-	-	-	-	-	-	-	-	-	-	-	26 040 325	-
Waste Water Management	19 100 677	-	-	-	64 815 165	-	-	-	113 015 862	-	-	-	-	-	-	-	-	-	-	-	-	113 015 862	-
Road Transport	22 880 086	480 070	-	-	14 456 152	-	-	-	37 817 978	-	-	-	-	-	-	-	-	-	-	-	-	37 817 978	-
Water	7 973 893	-	-	-	3 830 633	-	-	-	11 642 455	-	-	-	-	-	-	-	-	-	-	-	-	11 642 455	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	103 272 827	988 448	-	-	113 162 775	-	-	-	217 364 054	-	-	-	-	-	-	-	-	-	-	-	-	217 364 054	-

APPENDIX D
KOU-KAMMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)	Description	Vote Number	2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)
R	R	R			R	R	R
4,708,556	18,896,022	(14,187,466)	Executive and Council		2,085,625	8,852,640	(6,767,015)
9,957,425	17,940,910	(7,973,485)	Finance and Administration		142,536,849	36,744,184	105,792,665
6,675,574	854,155	5,821,419	Planning and Development		1,630,805	863,183	767,622
282,233	108,661	173,571	Health		-	521	(521)
685,520	771,270	(85,750)	Community and Social Services		1,136,113	1,599,164	(463,051)
187,832	302,021	(114,188)	Housing		121,442	233,274	(111,832)
262,460	3,777,140	(3,514,680)	Public Safety		2,319,681	3,013,091	(693,410)
-	46,325	(46,325)	Sport and Recreation		6,421	22,814	(16,393)
-	-	-	Environmental Protection		-	-	-
17,848,069	9,749,246	8,098,822	Waste Management		11,454,135	5,384,785	6,069,350
8,680,834	2,568,682	6,112,152	Roads and Transport		11,276,088	3,962,058	7,314,030
11,146,549	5,057,115	6,089,534	Water		13,678,010	8,662,230	5,015,780
1,130,714	2,368,218	(1,237,505)	Electricity		2,560,627	3,446,592	(885,965)
-	-	-	Other		-	-	-
61,575,865	62,439,767	(863,902)	Sub-Total		188,805,796	72,784,535	116,021,261
-	-	-	Less: Inter-departmental Charges		-	-	-
61,575,865	62,439,767	(863,902)	Total		188,805,796	72,784,535	116,021,261

APPENDIX E(1)
KOU-KAMMA MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual R	2009/2010 Budget R	2009/2010 Variance R	2009/2010 Variance %	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	6,975,364	1,696,407	5,278,957	75.68	The municipality budgeted for expected receipts.
Service Charges	14,505,861	5,990,107	8,515,754	58.71	The municipality budgeted for expected receipts.
Rental of Facilities and Equipment	203,967	186,674	17,293	8.48	The rental contracts were reviewed - income has improved
Interest Earned - External Investments	3,988,604	1,675,133	2,313,471	58.00	Interest on the MIG flood relief was greater than expected.
Fines	420,004	727,921	(307,917)	(73.31)	The increase is because better follow-up by the traffic officials.
Licences and Permits	-	-	-	#DIV/0!	
Income for Agency Services	981,436	1,144,898	(163,463)	(16.65)	The Traffic testing service station was opened later than budgeted for.
Government Grants and Subsidies	159,895,647	225,097,083	(65,201,436)	(40.78)	A lesser amount in respect of the FLOOD Relief was spent.
Other Income	1,350,091	322,289	1,027,802	76.13	
Total Revenue	188,320,973	236,840,512	(48,519,539)	(20.49)	
EXPENDITURE					
Employee Related Costs	21,567,837	26,538,563	(4,970,726)	(23.05)	Savings re Managers not appointed - Delay for 3 months before replacing staff.
Remuneration of Councillors	1,720,285	2,342,060	(621,775)	(36.14)	Back Pay and one annual increase was not authorised by MEC.
Collection Costs	78,150	-	78,150	100.00	Item not budgeted for but expenditure incurred.
Depreciation	-	-	-	#DIV/0!	
Impairment Losses	19,189,079	-	19,189,079	100.00	Not budgeted
Repairs and Maintenance	137,578	2,337,892	(2,200,314)	(1,599.33)	The FLOOD relief funding resulted in savings in respect of maintenance budget.
Interest Paid	79,097	-	79,097	100.00	Item not budgeted for.
Bulk Purchases	1,517,263	935,967	581,296	38.31	Better allocation of Bulk Purchases - Budgeted based on incorrect prior year
Contracted Services	2,556,845	1,903,997	652,848	25.53	The contract for TMT expired later than budgeted for.
Grants and Subsidies Paid	16,493,977	195,882,041	(179,388,064)	(1,087.60)	This item was incorrectly budgeted - GRANT was in Capital, and not General
General Expenses	8,959,602	6,445,374	2,514,228	28.06	Classification problems re BULK Electricity & Water
Loss on disposal of Property, Plant and Equipment	-	-	-	#DIV/0!	
Total Expenditure	72,299,712	236,386,894	(164,086,182)	(68.41)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	116,021,261	454,618	115,566,643	(25,420.60)	

APPENDIX F
KOU-KAMMA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Grant or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)	Reason for Non-compliance
		June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Yes	No
FMC	Nat Treasury	0	2,750,000	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	Yes	N/A
MSIC	Nat Treasury	0	400,000	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	0	7,448,071	5,955,418	4,817,898	0	0	0	0	342,717	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	3,000,000	5,000,000	4,326,000	0	0	0	0	2,319,612	N/A	N/A	N/A	N/A	Yes	N/A
Caradu DM - MIG Projects	MIG	0	0	0	0	0	0	0	0	12,544,700	N/A	N/A	N/A	N/A	Yes	N/A
Caradu DM - Disaster Flood Relief	CDM	0	17,938,663	81,269,695	23,775,718	15,642,483	0	17,938,663	123,775,718	18,442,483	N/A	N/A	N/A	N/A	Yes	N/A
DSBA - Disaster Flood Relief	Other Gov	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		0	31,954,734	76,228,113	33,119,616	16,642,483	0	17,938,663	123,775,718	33,849,312	0	0	0			

Did you or your entity comply with the audit conditions in terms of 'Grant Expenditure' as required by Section 123 of MFMA, 56 of 2003?

APPENDIX E(2)
KOU-KAMMA MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010		2009/2010		2009/2010		2009/2010		2009/2010		Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance		Variance	%			
	R	R	R	R	R		R	%			
Executive and Council	-	-	-	232.000	(232.000)		(232.000)	(100.00)			
Finance and Administration	365.449	-	365.449	1.000.000	(634.551)		(634.551)	(63.46)			
Planning and Development	8.213	-	8.213	-	8.213		8.213	#DIV/0!			
Health	-	-	-	-	-		-	0.00			
Community & Social Services	94.607	-	94.607	92.000	2.607		2.607	2.83			
Housing	39.213	-	39.213	28.905.806	(28.905.806)		(28.905.806)	(100.00)			
Public Safety	-	-	-	-	39.213		39.213	#DIV/0!			
Sport & Recreation	-	-	-	-	-		-	0.00			
Environmental Protection	-	-	-	-	-		-	0.00			
Waste Management	896	-	896	70.000	(70.000)		(70.000)	(100.00)			
Waste Water Management	-	94.815.165	94.815.165	18.494.165	(18.493.269)		(18.493.269)	(100.00)			
Road Transport	-	14.456.962	14.937.031	126.953.946	(32.148.781)		(32.148.781)	(25.32)			
Water	480.070	-	480.070	7.427.474	(7.509.557)		(7.509.557)	101.11			
Electricity	-	3.830.653	3.830.653	5.481.898	(1.651.245)		(1.651.245)	(30.12)			
Total	988.448	113.102.779	114.091.227	188.667.289	(74.576.062)		(74.576.062)	(39.53)			

